Feb 18, 2020

V.F. Corporation (VFC)

$83.66 (As of 02/17/20)

Price Target (6-12 Months): **$88.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 07/22/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**4-Sell**
	Zacks Style Scores:	VGM:B
	Value: D | Growth: B | Momentum: C	

Summary

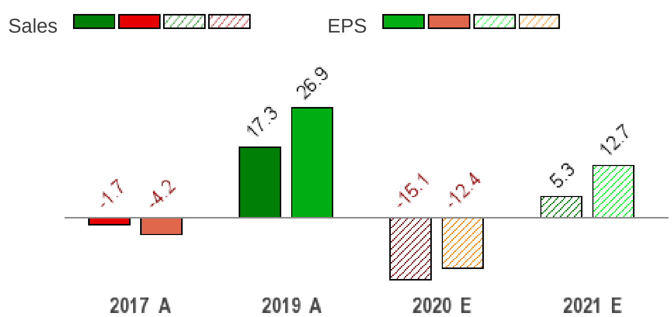
Shares of V.F. Corp have declined and underperformed the industry year to date. Sales missed the Zacks Consensus Estimate in the third quarter of fiscal 2020, which marked the second straight quarter of miss. Mixed holiday season sales in the United States might have hurt the top line. Also, the company is grappling with soft revenues at the Timberland brand. It expects revenues at the Timberland brand to decline 1-2% in fiscal 2020. Moreover, impacts of coronavirus in China might hurt the company's results. Nevertheless, top and bottom lines improved year over year in the fiscal third quarter. Earnings gained from revenue growth as well as adjusted gross and operating margin improvement. Strength in its two largest brands, international and direct-to-customer businesses as well as growth in Active and Outdoor segments aided sales.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	$100.25 - $76.77
20 Day Average Volume (sh)	3,202,852
Market Cap	$33.0 B
YTD Price Change	-16.1%
Beta	1.20
Dividend / Div Yld	$1.92 / 2.3%
Industry	Textile - Apparel
Zacks Industry Rank	Top 28% (72 out of 255)
Last EPS Surprise	1.7%
Last Sales Surprise	-1.1%
EPS F1 Est- 4 week change	-1.6%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	24.7
P/E F1	25.3
PEG F1	2.2
P/S TTM	2.7

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	2,333 E	3,517 E	3,523 E	2,851 E	12,372 E
2020	2,271 A	3,393 A	3,385 A	2,718 E	11,754 E
2019	2,788 A	3,907 A	3,940 A	3,213 A	13,849 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.33 E	$1.37 E	$1.34 E	$0.61 E	$3.73 E
2020	$0.30 A	$1.26 A	$1.23 A	$0.52 E	$3.31 E
2019	$0.43 A	$1.43 A	$1.31 A	$0.60 A	$3.78 A

*Quarterly figures may not add up to annual.

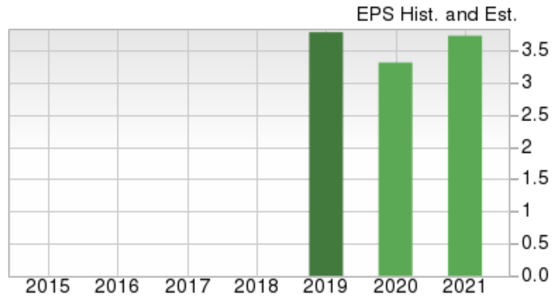
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/17/2020. The reports text is as of 02/18/2020.

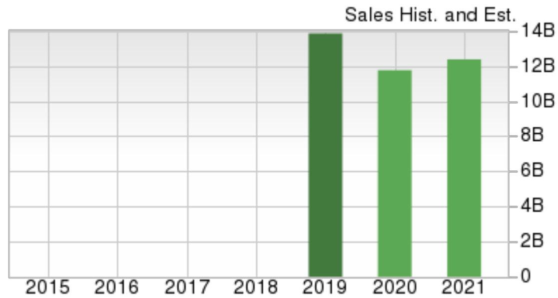
Overview

Based in Greensboro, NC, V.F. Corporation designs, manufactures and markets branded apparel and related products in the United States and internationally. Its product line consists of denim and casual tops, bottoms, backpacks, book bags, luggage, outdoor gear, skateboard-inspired footwear and apparel, surf-inspired footwear and apparel, women's lingerie, occupational apparel, licensed sports apparel, athletic apparel and fashion sportswear. The company markets its products through specialty stores, department stores, national chains and mass merchants along with licensees and distributors.

On May 22, 2019, the company completed the spin-off of its Jeans business into an independent, publicly-traded company named as Kontoor Brands. The spin-off included Wrangler, Lee, and Rock & Republic brands, as well as the VF Outlet business. These businesses are now presented as discontinued operations.

The company reports operating results under three segments — Active, Outdoor and Work.





- **Outdoor** segment mainly comprises of outdoor apparel, footwear and equipment. The key brands sold under this segment are The North Face, Timberland (excluding Timberland PRO), Smartwool, Icebreaker and Altra.

- **Active** segment offers active apparel, footwear and accessories under brands like Vans, Kipling, Napapijri, JanSport, Reef, Eastpak and Eagle Creek.

- **Work** segment sells work and work-inspired lifestyle apparel and footwear and occupational apparel. The primary brands in this segment include Dickies, Bulwark, Red Kap, Timberland PRO, Wrangler RIGGS, Walls, Terra, Kodiak and Horace Small.

Reasons To Buy:

Solid performance at the core (Vans and The North Face) brands drove third-quarter fiscal 2020 results. These brands display strength, with solid sales growth in all regions and product categories.

- **Q3 Results:** V.F. Corp posted third-quarter fiscal 2020, wherein the bottom line surpassed the Zacks Consensus Estimate. Further, both sales and earnings continued to increase on a year-over-year basis. Earnings improved 14%, while net revenues were up 5%. Constant-dollar revenues improved 6%. Excluding the occupational Work business, revenues rose 6% (up 7% in constant currency). Earnings reflected strong revenue gains as well as an improvement in adjusted gross and operating margins. Strength in the company's two largest brands – Vans and The North Face – and international and direct-to-customer businesses, along with robust growth in Active and Outdoor segments aided the top line.

- **Focus on Digital Growth:** V.F. Corp is focused on selling directly to consumers and investing in digital platforms for its brands. Revenues for the direct-to-consumer business improved 7% in the fiscal third quarter. Further, digital revenues were up 16%, with 17% growth in constant dollars. Quarterly results reflected strong performance at both direct-to-consumer and digital wholesale businesses. In the reported quarter, revenues from the wholesale business improved 4%. For fiscal 2020, revenues for the direct-to-consumer business are anticipated to increase 9-10% (10-11% at a constant-dollar basis). The company estimates digital revenue growth of 20%.

- **International Expansion Strategy:** V.F. Corp is aggressively looking for opportunities to expand international operations, particularly in Asia, which is one of the fastest growing regions. Driven by its commitment to invest in international platforms, revenues for the business grew 8% (9% in constant dollars) in third-quarter fiscal 2020. This was led by balanced growth across regions — including 15% in Asia, 9% in non-U.S. Americas and 4% in Europe. Moreover, the China business remained strong, with 30% revenue growth (32% in constant currency). Backed by the robust momentum, the company now anticipates international revenues growth of 6% (9% at constant currency). This suggests a rise from prior view of 4-5% growth (8-9% at constant currency) for the International segment.

- **Momentum in Two Largest Brands:** V.F. Corp's fiscal third-quarter results gained significantly from its two largest brands, Vans and The North Face, revenues for which improved 13% and 8%, respectively. Growth at these brands was driven by balanced growth across product categories, regions and channels. At Vans, the heritage footwear business generated growth of 8% along with more than 30% increase in progression while apparel grew 14%. Momentum in apparel and accessories further aided growth at the Vans brand. At the North Face, the Mountain Lifestyle and Urban Exploration, product territories gained the most, driven by its strategy of capitalizing on opportunities beyond core Mountain Sports. Further, the company's FutureLight launch provides increased visibility for the brand's growth in the second half of fiscal 2020 and in fiscal 2021. Backed by the ongoing momentum, the company raised the fiscal 2020 view for these brands above their respective long-term targets. For fiscal 2020, it now expects revenue growth of 15% at Vans and 9% at The North Face. Furthermore, the company expects these two brands to contribute 80% to overall growth over the next five years.

- **2024 Growth Plan & Outlook:** V.F. Corp. is on track with its growth plan for the 2020-2024 period. The 2024 growth strategy primarily focuses on transitioning to a consumer-minded and retail-centric business in a hyper-digital way. The company's efforts will also focus on creating a dynamic and optimum portfolio, directing investments to Asia and uplifting direct channels by prioritizing digital. The strategy targets generating revenue growth of 7-8% at a five-year CAGR, through 2024. This growth will be primarily driven by its largest brands — The Vans, The North Face, Timberland and Dickies. Further, the company expects revenue growth through the period to be driven by strong contributions from the International and Direct-to-Consumer business platforms. It expects earnings per share growth of 12-14% at a five-year CAGR, from fiscal 2019 levels. In fiscal 2024, the company anticipates gross margin to exceed 55.5%, with an operating margin of more than 15%. Further, the company expects to generate cumulative free cash flows of nearly $8 billion during the five years. Of this, the company plans to return about $10 billion to shareholders in the form of dividend payouts and share repurchases. It anticipates delivering top quartile total shareholder return (TSR) performance with annual TSR of 14-16%.

Reasons To Sell:

V.F. Corp is grappling with soft revenues at the Timberland brand, which continued in third-quarter fiscal 2020. For fiscal 2020, it expects revenues at the Timberland brand to decline 1-2%.

- **Stock Underperforms, Looks Overvalued:** Shares of V.F. Corp have decreased 16% year to date, wider than the industry's decline of 7.4%. Most of the decline can be attributed to its lowered view for fiscal 2020 and softness in Timberland brand. Considering price-to-earnings (P/E) ratio, V.F. Corp looks pretty overvalued when compared with the industry and the S&P 500. The stock has a trailing 12-month P/E ratio of 24.7x, which is above the median level of 24.3x but below the high level of 29.6x scaled in the past year. On the contrary, the trailing 12-month P/E ratio is 22x for the industry and 20.9x for the S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.

- **Trimmed Fiscal 2020 View:** Despite strong fiscal third-quarter results, V.F. Corp trimmed its view for fiscal 2020. The company expects revenues of $11.75 billion, reflecting a growth of 5% from the year-ago reported figure (and 7% in constant dollars). Earlier, the company had predicted revenues of $11.8 billion, suggesting a growth of 6% (and 8% in constant dollars). On a segmental basis, it expects revenue growth of 4% for Outdoor (5% in constant dollars), 8% for Active (12% in constant dollars) and 1% for Work (2-3% in constant dollars) segments. Earlier, the company anticipated revenue growth of 5% for Outdoor (6-7% in constant dollars), 8-9% for Active (11-12% in constant dollars) and 2-3% for Work (4-5% in constant dollars) segments. Adjusted gross and operating margins are still anticipated to increase 80 bps and 90 bps, respectively, to 54.1% and 13.8% in fiscal 2020.

- **Soft Timberland Brand:** Though V.F. Corp's big four brands reported strong sales on a combined basis, revenues for the Timberland brand remained soft in third-quarter fiscal 2020. Timberland revenues decreased 4% in the fiscal third quarter, due to softness in men's footwear in the Americas and Europe, particularly in classic business, partially offset by strength in apparel, outdoor footwear and China. For fiscal 2020, the company expects revenues at the Timberland brand to decline 1-2%.

- **Impact of Coronavirus:** V.F. Corp, like most other peers, expects the coronavirus outbreak in China to pose impacts on its financial results. The company has temporarily closed about 60% of its owned and partnered stores in China in response to the coronavirus outbreak. Management stated that it might witness soft traffic in China and surrounding areas due to the epidemic. In fiscal 2019, the Asia Pacific region and Mainland China accounted for nearly 12% and 6%, respectively, of the company's total revenues. Although it is not possible to measure the impact of the coronavirus outbreak on its supply chain at the moment, the company states that around 16% of its total cost of goods sold is sourced directly from Mainland China. Nearly 7% of these are transported to the United States.

  Also, the company stated that the current situation was not accounted for in its fiscal 2020 guidance, which was provided during its third-quarter fiscal 2020 results. During the fourth-quarter earnings call, it expects to provide an update on financial and operational impacts from the coronavirus outbreak on its results. Nevertheless, it sees China as a massive growth opportunity for the long term.

- **Competitive Pressure:** V.F. Corp faces intense competition from other well-established players in the apparel industry, on the basis of brand recognition, fashion, price, service, store location and quality. Failure to offer high-quality products at a competitive price may hamper V.F. Corp.'s market share and consequently, dent both top-line and bottom-line growth.

Last Earnings Report

V.F. Corp Q3 Earnings Surpass Estimates, Sales Miss

Quarter Ending	12/2019
Report Date	Jan 23, 2020
Sales Surprise	-1.09%
EPS Surprise	1.65%
Quarterly EPS	1.23
Annual EPS (TTM)	3.39

V.F. Corporation has posted third-quarter fiscal 2020 results, wherein the bottom line surpassed the Zacks Consensus Estimate, while sales lagged the same. Notably, sales missed estimates for the second straight quarter. Mixed holiday season sales in the United States might have hurt the top line.

V.F. Corp delivered adjusted earnings of $1.23 per share, improving 14% year over year and surpassing the Zacks Consensus Estimate of $1.21.

The company generated net revenues of $3,384.7 million, which increased about 5% year over year but lagged the Zacks Consensus Estimate of $3,425 million. Constant-dollar revenues improved 6%. Excluding the occupational Work business, the metric rose 6% (up 7% in constant currency). Revenue growth can be attributed to strength in the company's largest brands, and international and direct-to-customer businesses.

International revenues rose 8% (up 9% in constant dollars). Further, revenues in China improved 30% (up 32% in constant dollars). Moreover, V.F. Corp's direct-to-consumer revenues grew 7%. Digital revenues were up 16% (up 17% in constant dollars).

Adjusted gross margin expanded 100 basis points (bps) year over year to 55.7%. Furthermore, adjusted operating income increased 11% to $595 million. Adjusted operating margin grew 100 bps to 17.6%.

Segmental Details

Revenues at the Active segment grew 8% to $1,239.5 million (up 9% on a constant-dollar basis). This includes revenue growth of 12% (up 13% in constant dollars) at the Vans brand.

The Outdoor segment reported revenues of $1,659.1 million, which improved 3% year over year (up 4% in constant dollars). This includes revenue growth of 8% at The North Face brand.

Revenues at the Work segment increased 2% year over year and at constant currency to $480.1 million.

Other revenues were $6.1 million compared with $0.7 million reported in the year-ago quarter.

Financial Details

V.F. Corp ended third-quarter fiscal 2020 with cash and cash equivalents of approximately $584 million, long-term debt of $2,110.5 million, and shareholders' equity of $4,567.6 million. At the end of the fiscal third quarter, the company used cash provided by operating activities of $841.6 million.

During the reported quarter, the company paid out about $189 million of dividends. It bought back shares worth $500 million in the quarter and therefore had an outstanding balance of $3.3 billion under its existing share-repurchase authorization.

Further, management approved a quarterly dividend of 48 cents per share, which is payable Mar 20, 2020, to its shareholders of record as of Mar 10.

Outlook

Following mixed third-quarter fiscal 2020 results, the company updated its fiscal 2020 view. It now expects revenues of $11.75 billion, which indicates growth of 5% from the year-ago reported figure (and 7% in constant dollars, excluding the impact of acquisitions and divestitures). This compares unfavorably with the earlier view of $11.8 billion, which suggested growth of 6% (and 8% in constant dollars, excluding the impact of acquisitions and divestitures).

On a segmental basis, the company projects revenue growth of 4% for Outdoor (5% in constant dollars). Previously, revenues for the Outdoor segment were expected to increase 5% (roughly 6% in constant dollars).

Revenues are estimated to increase 8% (12% in constant dollars) for the Active segment and rise 1% (2-3% in constant dollars) for the Work segment. Notably, revenues for the Active segment was previously anticipated to grow 8-9% (11-12% in constant dollars), whereas the same for the Work segment was expected to increase 2-3% (4-5% in constant dollars).

V.F. Corp now envisions International revenues growth of 6% (9% at constant currency). This suggests a rise from prior view of 4-5% growth (8-9% at constant currency) for the International segment. Revenues for the direct-to-consumer business are anticipated to increase 9-10% (10-11% at a constant-dollar basis). The company estimates digital revenue growth of 20%. Prior to this, revenues in the segment were estimated to rise 11-12% (12-13% at a constant-dollar basis) and digital revenues were anticipated to grow 25%.

Adjusted gross and operating margins are still anticipated to increase 80 bps and 90 bps, respectively, to 54.1% and 13.8% in fiscal 2020.

Management continues to envision adjusted earnings per share of $3.30, indicating 15% growth from the year-ago period (18% at constant currency). This is below the previous guidance of $3.32-$3.37 per share, indicating 16-18% growth from the year-ago period's reported figure (19-21% at constant currency).

Further, V.F. Corp still expects adjusted cash flow from operations of $1.3 billion for fiscal 2020 compared with $1.3 billion mentioned earlier. The effective tax rate is expected to be 15.5% compared with 15-15.5% mentioned earlier. Moreover, capital expenditure is estimated to be $350 million for the fiscal year, down from $400 million mentioned earlier.

Recent News

V.F. Corp Closes Stores in China Due to Coronavirus Outbreak – Feb 7, 2020

The outbreak of coronavirus in China has given rise to a tough situation for companies operating in the region. V.F. Corp. is among the companies that are anticipating the current situation in China to have a material impact on its results. On Feb 7, V.F. Corp announced that it has temporarily closed about 60% of its owned and partnered stores in China in response to the coronavirus outbreak.

Further, it noted that the open stores are witnessing substantial declines in retail traffic. Given the epidemic outbreak in the country, V.F. Corp is prioritizing on health and safety of employees and its partners. Consequently, it expects Asia Pacific operations to witness softness in the near term, which should have a pronounced impact on overall results.

In fiscal 2019, the Asia Pacific region and Mainland China accounted for nearly 12% and 6%, respectively, of the company's total revenues. Although it is not possible to measure the impact of the coronavirus outbreak on its supply chain at the moment, the company states that around 16% of its total cost of goods sold is sourced directly from Mainland China. Nearly 7% of these are transported to the United States.

The company also stated that the current situation was not accounted for in its fiscal 2020 guidance, which was provided during its third-quarter fiscal 2020 results. During the fourth-quarter earnings call, it expects to provide an update on financial and operational impacts from the coronavirus outbreak on its results.

V.F. Corp Reviews Nine Workwear Brands for Strategic Options – Jan 21, 2020

V.F. Corporation is looking for strategic alternatives for the occupational part of its Work division, which comprises nine brands and businesses. The nine brands include Red Kap, VF Solutions, Bulwark, Workrite, Walls, Terra, Kodiak, Work Authority and Horace Small. These brands essentially provide work wear and uniforms for workers in the industrial, service and government sectors. However, the company remains committed to retain its Dickies and Timberland Pro brands.

Collectively, the brands under review contributed about $865 million to the company's fiscal 2019 top line and make for nearly 50% of the Work segment's revenues.

Valuation

V.F. Corp shares down 16% in the year-to-date period and nearly 8.6% for the trailing 12-month period. Stocks in the Zacks sub-industry is down 7.4% while the Zacks Consumer Discretionary sector is up 0.8% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector is up 1.3% and 13.1%, respectively.

The S&P 500 index is up 4.9% in the year-to-date period and 20.7% in the past year.

The stock is currently trading at 22.75X forward 12-month earnings, which compares to 16.74X for the Zacks sub-industry, 20.31X for the Zacks sector and 19.35X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.73X and as low as 13.21X, with a 5-year median of 20.48X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $88 price target reflects 23.93X forward 12-month earnings.

The table below shows summary valuation data for VFC

Valuation Multiples - VFC

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.75	16.74	20.31	19.35
	5-Year High	26.73	23.06	23.34	19.35
	5-Year Low	13.21	14.31	16.15	15.18
	5-Year Median	20.48	18.29	20.06	17.47
P/S F12M	Current	2.68	2.26	2.32	3.58
	5-Year High	3.21	2.58	3.19	3.58
	5-Year Low	1.48	1.55	1.81	2.54
	5-Year Median	2.25	2.07	2.54	3
EV/EBITDA TTM	Current	16.57	18.4	12.45	12.13
	5-Year High	47.15	26.27	17.67	12.85
	5-Year Low	12.82	13.46	10.77	8.47
	5-Year Median	16.73	17.77	12.4	10.7

As of 02/14/2020

Industry Analysis **Zacks Industry Rank:** Top 28% (72 out of 255)

Top Peers

Guess?, Inc. **(GES)**	Outperform
G-III Apparel Group, LTD. **(GIII)**	Outperform
Ralph Lauren Corporation **(RL)**	Outperform
Fossil Group, Inc. **(FOSL)**	Neutral
Hanesbrands Inc. **(HBI)**	Neutral
lululemon athletica inc. **(LULU)**	Neutral
PVH Corp. **(PVH)**	Neutral
Delta Apparel, Inc. **(DLA)**	Underperform

Industry Comparison Industry: Textile - Apparel

Industry Peers

	VFC Neutral	X Industry	S&P 500	GES Outperform	PVH Neutral	RL Outperform
VGM Score	B	-	-	D	B	B
Market Cap	33.02 B	1.23 B	24.61 B	1.47 B	6.52 B	8.98 B
# of Analysts	9	4	13	2	7	4
Dividend Yield	2.30%	0.00%	1.78%	2.01%	0.17%	2.26%
Value Score	D	-	-	D	B	B
Cash/Price	0.02	0.06	0.04	0.08	0.09	0.21
EV/EBITDA	18.38	10.30	14.06	20.09	8.30	10.30
PEG Ratio	2.21	2.21	2.09	0.74	0.83	1.56
Price/Book (P/B)	7.23	2.25	3.29	2.51	1.11	2.88
Price/Cash Flow (P/CF)	18.29	10.16	13.65	12.20	6.28	10.95
P/E (F1)	25.16	13.58	19.21	12.90	9.20	15.02
Price/Sales (P/S)	2.69	0.71	2.70	0.55	0.67	1.41
Earnings Yield	3.96%	7.39%	5.19%	7.77%	10.86%	6.66%
Debt/Equity	0.69	0.65	0.71	1.74	0.71	0.65
Cash Flow ($/share)	4.57	1.63	6.92	1.84	14.22	11.12
Growth Score	B	-	-	D	B	B
Hist. EPS Growth (3-5 yrs)	4.12%	2.88%	10.85%	-1.48%	7.92%	1.80%
Proj. EPS Growth (F1/F0)	-12.43%	4.49%	7.17%	27.70%	2.72%	12.80%
Curr. Cash Flow Growth	51.18%	9.60%	8.56%	21.93%	13.47%	9.60%
Hist. Cash Flow Growth (3-5 yrs)	4.29%	4.29%	8.36%	-9.92%	3.78%	-3.42%
Current Ratio	2.12	1.82	1.23	1.52	1.40	1.94
Debt/Capital	40.92%	39.94%	42.91%	63.63%	41.55%	39.49%
Net Margin	10.54%	2.69%	11.81%	1.48%	6.57%	10.40%
Return on Equity	30.78%	10.77%	16.86%	12.56%	12.17%	20.83%
Sales/Assets	1.14	1.14	0.54	1.21	0.74	0.91
Proj. Sales Growth (F1/F0)	-15.12%	1.33%	3.85%	2.72%	1.33%	1.22%
Momentum Score	C	-	-	F	F	F
Daily Price Chg	-0.46%	0.00%	0.06%	-1.02%	0.10%	-0.93%
1 Week Price Chg	-0.01%	0.35%	2.47%	2.30%	-0.83%	6.22%
4 Week Price Chg	-12.06%	-6.33%	0.59%	-3.70%	-10.08%	1.27%
12 Week Price Chg	-1.34%	-1.42%	6.98%	29.78%	-8.02%	17.48%
52 Week Price Chg	-2.69%	-20.48%	16.62%	9.70%	-20.48%	-0.77%
20 Day Average Volume	3,202,852	37,890	2,020,569	700,397	907,856	940,018
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-0.76%	0.00%
(F1) EPS Est 4 week change	-1.60%	0.00%	-0.05%	0.00%	-0.79%	5.64%
(F1) EPS Est 12 week change	-1.64%	-0.47%	-0.17%	0.10%	-3.27%	5.64%
(Q1) EPS Est Mthly Chg	-13.06%	0.00%	-0.24%	0.00%	0.00%	-2.21%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	B
Momentum Score	C
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.